35660 Wood
Livonia, Mi. 48154
734-432-9744

July 21, 2014

Judge Steven W. Rhodes
c/o Clerk of Court
U.S. Bankruptcy Court
Eastern District of Michigan
Southern District
211 W. Fort St. Suite 1800
Detroit, Mi 48226



Dear Judge Rhodes:

I thank you for the opportunity to appear before you on July 15th, to express my views relative to Mr. Orr's proposed Plan of Adjustment for the City of Detroit. Unfortunately, I was not able to attend the court hearing but I would appreciate it if you would consider the following concerns.

When speaking to many retirees I realize that they are more concerned about the effect the dramatic reduction in City retirees' health benefits will have on their disposable income, than they are upset about the proposed reduction in their pension.

In an article which appeared in the Detroit News in early July (see attachment #1), Mr. Stephen Parente, a professor of health finance, the associate dean of the Carlson School of Management, and the director of the Medical Industry Leadership Institute at the University of Minnesota, stated that in the next decade the "ranks of the state's uninsured" could swell by 64 percent.

Recently, I received a print out (see attachment #2), from Blue Cross Blue Shield which listed the CURRENT MONTHLY costs for the City-sponsored, Medical and Dental coverage. I was alarmed that for some retirees the premiums would be $3,128.93 to $3,911.17 per month. When I phoned the customer service division of Blue Cross Blue Shield and inquired whether the amounts of the monthly premiums were correct, I was assured they were and the representative added that they could change (increase) next year.

This month the Senior Citizens League reported that 44 percent of seniors surveyed stated that "they spend more than one-third of their Social Security benefits on healthcare costs." As the health of seniors changes with aging, they use more medical services, but their healthcare costs are also growing several times faster than Social Security benefits.

I am aware that under the Plan of Adjustment the City will provide the Detroit General VEBA with $218 million. However, "How much the Detroit General VEBA trustees may spend on retiree healthcare in any particular year is unknown at this time. It is also unknown how long the money in the VEBA trust

will last because that will depend on the benefits to be provided. It is likely, however that the amount of the note to be provided to the VEBA by the City under the Plan will not be enough to provide the same level of benefits over the long term as the City began providing to retirees and surviving beneficiaries in March 2014."

"Further the value of the healthcare that may be provided to retirees by the Detroit General VEBA trust is subject to various factors, including but not limited to: whether or not a retiree is eligible for Medicare or Medicaid, costs of future premiums, co-pays and deductibles; whether the Affordable Care Act continues in effect; and whether tax credits that currently exist to reduce healthcare costs to low-to-middle income persons continue. "

Therefore, those retirees who are eligible for Medicare may not be eligible to receive funds from the VEBA trust. When I spoke to one of the attorneys representing the retirees, he indicated that an income level of $70,000 has been established, but he did not specify for which retirees.

Inasmuch as all City retirees are about to have their health benefits decreased by at least 90%, shouldn't every retiree be entitled to a stipend, particularly since their health premiums and expenses, PARTICULARLY FOR THE ELDERLY, will increase dramatically? Further, if the retiree's income will have to be verified via his federal income tax return, will a decision be delayed until the VEBA trustees receive a copy, which could be as late as April? Wouldn't it be more appropriate to base all stipends on the amount of a retiree's pension? In that way, the payout would not fluctuate from year to year and could be calculated prior to the beginning of a new year.

Inasmuch as the Social Security Administration has established income levels of $85,000 for single people and $170,000 for couples in determining whether a Social Security recipient will pay the minimal Medicare Part B premium, or a higher premium wouldn't it be more fair for the trustees to use those same income levels in determining whether a retiree will be eligible for a stipend?

If the trustees insist on using a retiree's federal income tax statement to determine whether a retiree is eligible to receive a stipend, it would seem reasonable and fair to exclude the retiree's required IRA distributions in calculating the retiree's gross income for the year. Often the retiree will utilize the IRA funds for a major expense. That is what I have done. The disposable income for most elderly retirees will decrease from year to year as a result of increasing medical costs, inflation, and not being able to work or find employment.

The City will pay hundreds of millions of dollars to law firms and their attorneys for services rendered the past year. In appreciation for their services, shouldn't all retirees be entitled to a stipend to help pay their medical bills?

Sincerely yours,

Ronald Danowski

Ronald Danowski

ATTACHMENT
#1

# The health care overhaul will cost Michigan dearly

BY STEPHEN PARENTE

Michigan, buckle up. Over the next few months, you will learn how much your health insurance premiums will go up for next year. The early evidence isn't good — the percentage increase could be in the double digits.

But that's nothing compared to what you'll face in 2017. In May, I released a comprehensive study showing how the Affordable Care Act — otherwise known as Obamacare — will likely play out in Michigan over the next few years.

In two years, the health care overhaul's structural problems will lead to substantial premium increases. Once that happens, Michiganians will likely leave the insurance market in droves. They'll have little choice — they won't be able to afford insurance because federal subsidies won't keep up with rapid price increases. Within a decade, this could swell the ranks of the state's uninsured by 64 percent.

I reached this conclusion by using a peer-reviewed economic model published in several health journals. It was funded by both private and government sources, including the Department of Health and Human Services, and has been cited by multiple Supreme Court justices in health care law- related rulings.

But why won't this happen until 2017? Because that's the year when the Affordable Care Act goes into full effect and certain provisions begin to sunset.

Two big changes will occur that year: Insurance companies will no longer have access to the health care law's "re-insurance" and "risk corridor" programs. The first item currently allows insurers to bill the government for the most expensive patients; the second one guarantees that the industry's losses will be subsidized by you. When these two programs end, the insurance industry won't have access to taxpayer money.

That leaves Michiganians to pick up the tab. Without taxpayer money, insurers will increase plan premiums to cover the sudden shortfall. They'll have no other choice — the other option is to go out of business.

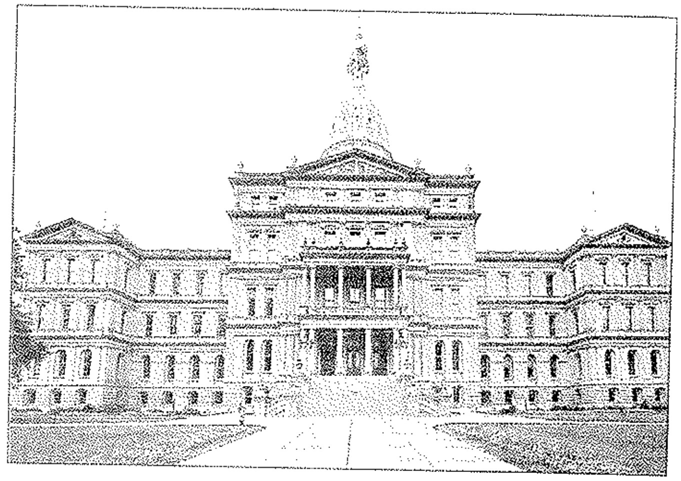
You might not have a choice, either. The data predicts that the average premiums for a bronze family plan in Michigan may jump from $13,218 to $17,180 — an increase of 30 percent.

This will cause a chain reaction in the insurance market. As people leave the exchanges, insurers will have fewer customers who can shoulder health care costs. Thus, for 2018, they'll have to raise prices again — which will only cause more people to leave.

Employer health care coverage won't stem the losses. After 2016, many businesses will stop offering health insurance because it's also getting too expensive for them. I estimate that over 475,000 people could lose employer coverage in Michigan over the next decade.

This rapid turn of events leaves more Michiganians who need health insurance from the exchanges. Those same exchanges, meanwhile, are hemorrhaging customers because they're becoming more expensive every year. Stuck in this cycle, many will find the IRS "shared responsibility fee" — the tax for not having health insurance — a far cheaper option. This could increase the number of uninsured by 64 percent to over 2 million people in a decade.

Think of what this means for the Affordable Care Act. Its architects promised that it would make health care cheaper while providing universal health care. Instead, it will make health care unaffordable while leaving more Michiganians uninsured.



Dale G. Young / The Detroit News

Michiganians face substantial coverage premium hikes, Parente says.

Stephen Parente is a professor of health finance, the associate dean of the Carlson School of Management, and the director of the Medical Industry Leadership Institute at the University of Minnesota.

ATTACHMENT #2

Rec'd Tue 6-10-14

# City of Detroit
## Retiree Special Enrollment Period
## June 9, 2014 through June 20, 2014

The City of Detroit has agreed pursuant to negotiations with the Official Committee of Retirees of the City of Detroit, Michigan, Detroit Retired City Employees Association, Retired Detroit Police and Fire Fighters Association, and AFSCME Sub-Chapter 98 to provide certain additional health and welfare benefits to retirees beyond those described in the booklet distributed at the end of 2013. The following additional benefits are described in this mailing:

- a special open enrollment period to enroll in city-sponsored medical, dental, and vision coverage at full cost to the retiree;
- an opportunity for non-Medicare eligible Uniformed retirees to have their stipend made payable to their medical insurance carrier on a pre-tax basis; and
- a health reimbursement arrangement for retirees who opt out of the City-sponsored Medicare Advantage plans.

Additional mailings will be sent to eligible retirees regarding (i) the application process for additional stipends available to retirees who are not Medicare eligible or whose spouse is not Medicare eligible (mailing will be from the City's vendor, Hodges-Mace), (ii) accessing the health reimbursement arrangement, and (iii) reimbursement for certain prescription drug expenses incurred by individuals enrolled in the City-sponsored Medicare Advantage plans..

**City-Sponsored Medical, Dental, and Vision Coverage**
During this special open enrollment period, benefit-eligible retirees will be able to enroll in the following plans:

- New dental DMO plan offered through Golden Dental
- New "national" vision plan offered through Heritage Vision
- New PPO plan for non-Medicare retirees offered through Blue Cross Blue Shield of Michigan (BCBSM)

The monthly retiree costs for these plans are as follows:

| Coverage Tier | Golden Dental | Heritage Vision | BCBSM PPO |
|---|---|---|---|
| One Person | $24.20 | $7.09 | $1,303.72 |
| Two Person | $39.61 | $14.03 | $3,128.93 |
| Family | $58.31 | $14.03 | $3,911.17 |

Benefit summaries of the new plans are included in this announcement for your convenience. The premium amount will be deducted from your monthly pension and/or stipend check. To the extent the premium amount exceeds your monthly pension and/or stipend check, you will be direct billed for the balance.

Non-Medicare eligible retirees who enroll in the BCBSM PPO plan will waive their current monthly stipend. They will instead receive a stipend of $100 in addition to coverage under the medical plan. However, duty disabled retirees currently receiving a duty disabled stipend will maintain their current stipend amount ($300 or $400, as applicable) in addition to coverage under the medical plan. Likewise, retirees over age 65 who are not eligible for Medicare and are approved for an additional $175 stipend will maintain their current stipend amount plus the additional stipend (total of $300) along with coverage under the medical plan. All other Non-Medicare eligible retirees who enroll in the BCBSM PPO plan also waive any additional stipends, as outlined in a mailing sent by the City of Detroit dated May 22, 2014.